

REFERENCE TITLE: school tax credits; contribution date

State of Arizona
House of Representatives
Forty-eighth Legislature
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2008

HB 2101

Introduced by
Representatives Yarbrough, Biggs, Murphy, Senator Gorman: Representatives
Anderson, Barto, Burges, Clark, Crump, Groe, Kavanagh

AN ACT

AMENDING SECTIONS 43-1089 AND 43-1089.01, ARIZONA REVISED STATUTES; RELATING
TO INDIVIDUAL INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 43-1089, Arizona Revised Statutes, is amended to
3 read:

4 43-1089. Credit for contributions to school tuition
5 organization: definitions

6 A credit is allowed against the taxes imposed by this title for the
7 amount of voluntary cash contributions made by the taxpayer during the
8 taxable year to a school tuition organization, but not exceeding:

9 1. Five hundred dollars in any taxable year for a single individual or
10 head of household.

11 2. Eight hundred twenty-five dollars in taxable year 2005 for a
12 married couple filing a joint return.

13 3. One thousand dollars in taxable year 2006 and any subsequent
14 **TAXABLE** year for a married couple filing a joint return.

15 B. A husband and wife who file separate returns for a taxable year in
16 which they could have filed a joint return may each claim only one-half of
17 the tax credit that would have been allowed for a joint return.

18 C. If the allowable tax credit exceeds the taxes otherwise due under
19 this title on the claimant's income, or if there are no taxes due under this
20 title, the taxpayer may carry the amount of the claim not used to offset the
21 taxes under this title forward for not more than five consecutive taxable
22 years' income tax liability.

23 D. The credit allowed by this section is in lieu of any deduction
24 pursuant to section 170 of the internal revenue code and taken for state tax
25 purposes.

26 E. The tax credit is not allowed if the taxpayer designates the
27 taxpayer's contribution to the school tuition organization for the direct
28 benefit of any dependent of the taxpayer.

29 F. A school tuition organization that receives a voluntary cash
30 contribution pursuant to subsection A shall report to the department, in a
31 form prescribed by the department, by February 28 of each year the following
32 information:

33 1. The name, address and contact name of the school tuition
34 organization.

35 2. The total number of contributions received during the previous
36 calendar year.

37 3. The total dollar amount of contributions received during the
38 previous calendar year.

39 4. The total number of children awarded educational scholarships or
40 tuition grants during the previous calendar year.

41 5. The total dollar amount of educational scholarships and tuition
42 grants awarded during the previous calendar year.

43 6. For each school to which educational scholarships or tuition grants
44 were awarded:

1 (a) The name and address of the school.
2 (b) The number of educational scholarships and tuition grants awarded
3 during the previous calendar year.

4 (c) The total dollar amount of educational scholarships and tuition
5 grants awarded during the previous calendar year.

6 G. FOR THE PURPOSES OF THIS SECTION, A CONTRIBUTION, FOR WHICH A
7 CREDIT IS CLAIMED, THAT IS MADE ON OR BEFORE THE FIFTEENTH DAY OF THE FOURTH
8 MONTH FOLLOWING THE CLOSE OF THE TAXABLE YEAR MAY BE APPLIED TO EITHER THE
9 CURRENT OR PRECEDING TAXABLE YEAR AND IS CONSIDERED TO HAVE BEEN MADE ON THE
10 LAST DAY OF THAT TAXABLE YEAR.

11 G. H. For the purposes of this section:

12 1. "Handicapped student" means a student who has any of the following
13 conditions:

- 14 (a) Hearing impairment.
15 (b) Visual impairment.
16 (c) Preschool moderate delay.
17 (d) Preschool severe delay.
18 (e) Preschool speech or language delay.

19 2. "Qualified school" means a nongovernmental primary school or
20 secondary school or a preschool for handicapped students that is located in
21 this state, that does not discriminate on the basis of race, color, handicap,
22 familial status or national origin and that satisfies the requirements
23 prescribed by law for private schools in this state on January 1, 1997.

24 3. "School tuition organization" means a charitable organization in
25 this state that is exempt from federal taxation under section 501(c)(3) of
26 the internal revenue code and that allocates at least ninety per cent of its
27 annual revenue for educational scholarships or tuition grants to children to
28 allow them to attend any qualified school of their parents' choice. In
29 addition, to qualify as a school tuition organization the charitable
30 organization shall provide educational scholarships or tuition grants to
31 students without limiting availability to only students of one school.

32 Sec. 2. Section 43-1089.01, Arizona Revised Statutes, is amended to
33 read:

34 43-1089.01. Tax credit; public school fees and contributions;
35 definitions

36 A. A credit is allowed against the taxes imposed by this title for the
37 amount of any fees or cash contributions made by a taxpayer during the
38 taxable year to a public school located in this state for the support of
39 extracurricular activities or character education programs of the public
40 school, but not exceeding:

41 1. Two hundred dollars for a single individual or a head of household.

42 2. Three hundred dollars in taxable year 2005 for a married couple
43 filing a joint return.

1 3. Four hundred dollars in taxable year 2006 and any subsequent
2 TAXABLE year for a married couple filing a joint return.

3 B. A husband and wife who file separate returns for a taxable year in
4 which they could have filed a joint return may each claim only one-half of
5 the tax credit that would have been allowed for a joint return.

6 C. The credit allowed by this section is in lieu of any deduction
7 pursuant to section 170 of the internal revenue code and taken for state tax
8 purposes.

9 D. If the allowable tax credit exceeds the taxes otherwise due under
10 this title on the claimant's income, or if there are no taxes due under this
11 title, the taxpayer may carry the amount of the claim not used to offset the
12 taxes under this title forward for not more than five consecutive taxable
13 years' income tax liability.

14 E. The site council of the public school that receives contributions
15 that are not designated for a specific purpose shall determine how the
16 contributions are used at the school site. If a charter school does not have
17 a site council, the principal, director or chief administrator of the charter
18 school shall determine how the contributions that are not designated for a
19 specific purpose are used at the school site.

20 F. A public school that receives fees or a cash contribution pursuant
21 to subsection A of this section shall report to the department, in a form
22 prescribed by the department, by February 28 of each year the following
23 information:

24 1. The total number of fee and cash contribution payments received
25 during the previous calendar year.

26 2. The total dollar amount of fees and contributions received during
27 the previous calendar year.

28 3. The total dollar amount of fees and contributions spent by the
29 school during the previous calendar year.

30 G. FOR THE PURPOSES OF THIS SECTION, A CONTRIBUTION, FOR WHICH A
31 CREDIT IS CLAIMED, THAT IS MADE ON OR BEFORE THE FIFTEENTH DAY OF THE FOURTH
32 MONTH FOLLOWING THE CLOSE OF THE TAXABLE YEAR MAY BE APPLIED TO EITHER THE
33 CURRENT OR THE PRECEDING TAXABLE YEAR AND IS CONSIDERED TO HAVE BEEN MADE ON
34 THE LAST DAY OF THAT TAXABLE YEAR.

35 H. For the purposes of this section:

36 1. "Character education programs" means a program described in section
37 15-719.

38 2. "Extracurricular activities" means school sponsored activities that
39 require enrolled students to pay a fee in order to participate including fees
40 for:

41 (a) Band uniforms.

42 (b) Equipment or uniforms for varsity athletic activities.

43 (c) Scientific laboratory materials.

1 (d) In-state or out-of-state trips that are solely for competitive
2 events. Extracurricular activities do not include any senior trips or events
3 that are recreational, amusement or tourist activities.

4 Sec. 3. Retroactivity

5 This act applies retroactively to taxable years beginning from and
6 after December 31, 2007.